

ASSEMBLY BILL

No. 1624

Introduced by Assembly Member Gordon

February 10, 2014

An act to amend Section 379.6 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 1624, as introduced, Gordon. Self-generation incentive program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law, adopted during the energy crisis of 2000–01, required the Public Utilities Commission, in consultation with the Independent System Operator and the State Energy Resources Conservation and Development Commission, to adopt initiatives, on or before March 7, 2001, to reduce demand for electricity and reduce load during peak demand periods, including differential incentives for renewable or super clean distributed generation resources. Pursuant to this requirement, the commission adopted Decision 01-03-073, dated March 27, 2001, that established program incentives for demand-responsiveness and self-generation that were modified in later decisions.

Existing law authorizes the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission, to authorize the annual collection of not more than the amount authorized for the self-generation incentive program in the 2008 calendar year, through December 31, 2014. Existing law requires the Public Utilities Commission to require electrical corporations to administer the program for distributed energy resources

originally established pursuant to the above-described law until January 1, 2016, and to separately administer solar technologies pursuant to the California Solar Initiative. Existing law requires the Public Utilities Commission to provide repayment of all unallocated funds collected for the self-generation incentive program on January 1, 2016, to reduce ratepayer costs.

This bill would authorize the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission, to authorize the annual collection of not more than the amount authorized for the self-generation incentive program in the 2008 calendar year, through December 31, 2020, and would require the Public Utilities Commission to require electrical corporations to administer the program for distributed energy resources originally established pursuant to the above-described former law through and including December 31, 2021. The bill would require the Public Utilities Commission to provide repayment of all unallocated funds collected for the self-generation incentive program on January 1, 2022, to reduce ratepayer costs.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the program that is extended under the provisions of this bill is within the act and a decision or order of the commission implements the program requirements, a violation of these provisions would impose a state-mandated local program by expanding the definition of a crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 379.6 of the Public Utilities Code is
- 2 amended to read:
- 3 379.6. (a) (1) It is the intent of the Legislature that the
- 4 self-generation incentive program increase deployment of
- 5 distributed generation and energy storage systems to facilitate the

1 integration of those resources into the electrical grid, improve
2 efficiency and reliability of the distribution and transmission
3 system, and reduce emissions of greenhouse gases, peak demand,
4 and ratepayer costs. It is the further intent of the Legislature that
5 the commission, in future proceedings, provide for an equitable
6 distribution of the costs and benefits of the program.

7 (2) The commission, in consultation with the Energy
8 Commission, may authorize the annual collection of not more than
9 the amount authorized for the self-generation incentive program
10 in the 2008 calendar year, through December 31, ~~2014~~ 2020. The
11 commission shall require the administration of the program for
12 distributed energy resources originally established pursuant to
13 Chapter 329 of the Statutes of 2000 ~~until January 1, 2016~~ through
14 *and including December 31, 2021*. On January 1, ~~2016~~ 2022, the
15 commission shall provide repayment of all unallocated funds
16 collected pursuant to this section to reduce ratepayer costs.

17 (3) The commission shall administer solar technologies
18 separately, pursuant to the California Solar Initiative adopted by
19 the commission in ~~Decision 06-01-024~~ *Decisions 05-12-044 and*
20 *06-01-024, as modified by Article 1 (commencing with Section*
21 *2851) of Chapter 9 of Part 2 of Division 1 of this code and Chapter*
22 *8.8 (commencing with Section 25780) of Division 15 of the Public*
23 *Resources Code*.

24 (b) Eligibility for incentives under the program shall be limited
25 to distributed energy resources that the commission, in consultation
26 with the State Air Resources Board, determines will achieve
27 reductions ~~in emissions of greenhouse-gas emissions~~ *gases* pursuant
28 to the California Global Warming Solutions Act of 2006 (Division
29 25.5 (commencing with Section 38500) of the Health and Safety
30 Code).

31 (c) Eligibility for the funding of any combustion-operated
32 distributed generation projects using fossil fuel is subject to all of
33 the following conditions:

34 (1) An oxides of nitrogen (NO_x) emissions rate standard of 0.07
35 pounds per megawatthour and a minimum efficiency of 60 percent,
36 or any other NO_x emissions rate and minimum efficiency standard
37 adopted by the State Air Resources Board. A minimum efficiency
38 of 60 percent shall be measured as useful energy output divided
39 by fuel input. The efficiency determination shall be based on 100
40 percent load.

(2) Combined heat and power units that meet the 60-percent efficiency standard may take a credit to meet the applicable NO_x emissions standard of 0.07 pounds per megawatthour. Credit shall be at the rate of one megawatthour for each 3.4 million British thermal units (Btus) of heat recovered.

(3) The customer receiving incentives shall adequately maintain and service the combined heat and power units so that during operation, the system continues to meet or exceed the efficiency and emissions standards established pursuant to paragraphs (1) and (2).

(4) Notwithstanding paragraph (1), a project that does not meet the applicable NO_x emissions standard is eligible if it meets both of the following requirements:

(A) The project operates solely on waste gas. The commission shall require a customer that applies for an incentive pursuant to this paragraph to provide an affidavit or other form of proof that specifies that the project shall be operated solely on waste gas. Incentives awarded pursuant to this paragraph shall be subject to refund and shall be refunded by the recipient to the extent the project does not operate on waste gas. As used in this paragraph, “waste gas” means natural gas that is generated as a byproduct of petroleum production operations and is not eligible for delivery to the utility pipeline system.

(B) The air quality management district or air pollution control district, in issuing a permit to operate the project, determines that operation of the project will produce an onsite net air emissions benefit, compared to permitted onsite emissions if the project does not operate. The commission shall require the customer to secure the permit prior to receiving incentives.

(d) In determining the eligibility for the self-generation incentive program, minimum system efficiency shall be determined either by calculating electrical and process heat efficiency as set forth in Section 216.6, or by calculating overall electrical efficiency.

(e) In administering the self-generation incentive program, the commission may adjust the amount of rebates and evaluate other public policy interests, including, but not limited to, ratepayers, energy efficiency, peak load reduction, load management, and environmental interests.

(f) The commission shall ensure that distributed generation resources are made available in the program for all ratepayers.

1 (g) (1) In administering the self-generation incentive program,
2 the commission shall provide an additional incentive of 20 percent
3 from existing program funds for the installation of eligible
4 distributed generation resources from a California supplier.

5 (2) “California supplier” as used in this subdivision means any
6 sole proprietorship, partnership, joint venture, corporation, or other
7 business entity that manufactures eligible distributed generation
8 resources in California and that meets either of the following
9 criteria:

10 (A) The owners or policymaking officers are domiciled in
11 California and the permanent principal office, or place of business
12 from which the supplier’s trade is directed or managed, is located
13 in California.

14 (B) A business or corporation, including those owned by, or
15 under common control of, a corporation, that meets all of the
16 following criteria continuously during the five years prior to
17 providing eligible distributed generation resources to a
18 self-generation incentive program recipient:

19 (i) Owns and operates a manufacturing facility located in
20 California that builds or manufactures eligible distributed
21 generation resources.

22 (ii) Is licensed by the state to conduct business within the state.

23 (iii) Employs California residents for work within the state.

24 (3) For purposes of qualifying as a California supplier, a
25 distribution or sales management office or facility does not qualify
26 as a manufacturing facility.

27 (h) The costs of the program adopted and implemented pursuant
28 to this section shall not be recovered from customers participating
29 in the California Alternate Rates for Energy (CARE) program.

30 SEC. 2. No reimbursement is required by this act pursuant to
31 Section 6 of Article XIII B of the California Constitution because
32 the only costs that may be incurred by a local agency or school
33 district will be incurred because this act creates a new crime or
34 infraction, eliminates a crime or infraction, or changes the penalty
35 for a crime or infraction, within the meaning of Section 17556 of
36 the Government Code, or changes the definition of a crime within
37 the meaning of Section 6 of Article XIII B of the California
38 Constitution.